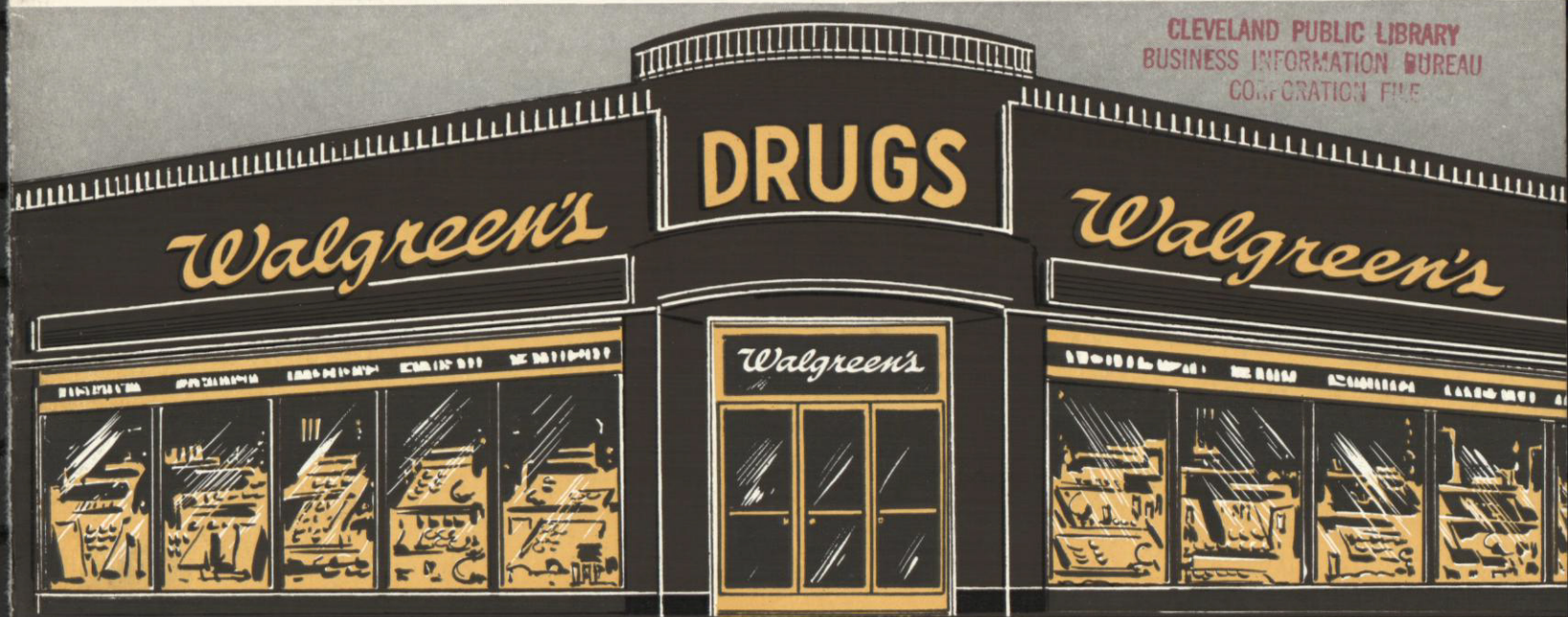


Annual Report

TO STOCKHOLDERS • SEPTEMBER 30, 1952



Walgreen CO.

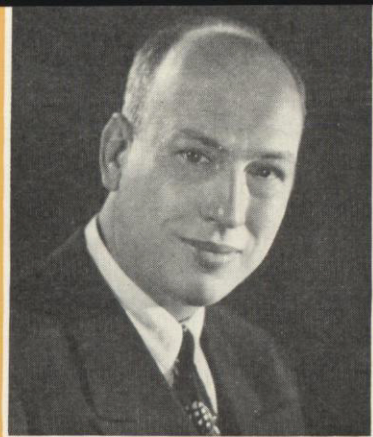
OFFICERS AND DIRECTORS

C. R. WALGREEN, JR..... *Director—President*
SANFORD J. BOWYER..... *Director—Vice President*
H. TRACY FOWLER..... *Director—Vice President*
ROBERT G. KNIGHT..... *Director—Vice President and Treasurer*
EDWARD P. LESLIE..... *Vice President*
BERT O. PINCH..... *Director—Assistant Secretary*
R. G. SCHMITT..... *Director—Vice President and Secretary*
A. L. STARSHAK..... *Director—Vice President*
R. E. WALKER..... *Director—Agency Division*
JAMES E. WARD..... *Director—Vice President*
O. G. GILE..... *Assistant Secretary*
W. W. LOW..... *Assistant Treasurer*
P. J. REDFORD..... *Assistant Secretary*
C. S. ZALEWSKI..... *Comptroller*

Company General Auditor..... M. W. PRATT
Public Accountants and Auditors..... ARTHUR ANDERSEN & Co.

Transfer Agents..... THE FIRST NATIONAL BANK OF CHICAGO
GUARANTY TRUST COMPANY OF NEW YORK

Registrars..... HARRIS TRUST AND SAVINGS BANK OF CHICAGO
THE NATIONAL CITY BANK OF NEW YORK



TO OUR STOCK

OUR recently closed fiscal year showed a continued increase in sales, a further gain of over seven millions, bringing annual sales to a new record high.

The trend of earnings was less satisfactory. Net per share was \$2.44, as compared with \$2.83 the year before—a decline of 13.8%. This primarily was the result of a lower gross profit margin. In general, the cost of merchandise, including that of placing goods in our stores, has increased, whereas retail selling prices have not.

It has been traditional for store employees in the retail drug industry to have a much longer work week than in other fields of retailing. For quite a number of years we have been on a systematic program of narrowing this differential, and now are on a comparable

basis. Commencing about six months ago and recently completed, our store employees were changed from a six-day, forty-four-hour week, to a five-day, forty-hour week. This change involved intensive operational studies and naturally will have some effect, temporarily, on our results. However, the cost has been minimized by re-scheduling the hours of many stores and eliminating marginal periods. The change should make it easier to keep, as well as attract high caliber personnel, and raise the level of efficiency.

Interest in self-service operations throughout the retail industry is rapidly gaining momentum. Food markets and variety stores have long used self-service extensively, differing only in their methods of cashiering. Lately, alert retail organizations in other fields have

HOLDERS

been actively exploring the possibilities of self-service stores as a means to obtain greater sales at a lower operating cost per dollar. The adaptation of any business to self-service presents problems peculiar to that business. While a great deal of the merchandise carried in a drug store can be placed on self-service, there are some departments and items which cannot be served on this basis.

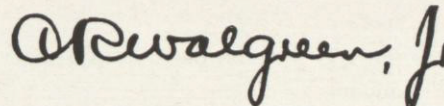
We have done an extensive amount of experimentation in the adapting of self-service operation to drug stores, and have installed self-service fixtures, in varying degrees, in a great many of our stores. Currently we are running twelve stores which we classify as "self-service" and will open several more such units this year. While we do not believe it likely that we shall ever shift over completely

to self-service, we think that a substantial development in this direction will occur, exploiting new opportunities. This should lead to further expansion for our business and reinforce our competitive position.

We were operating 400 stores at the year-end, against 406 a year ago. We remodeled a number of stores, opened nine new ones, and for various reasons eliminated fifteen. Average volume per store showed a further increase.

We plan to expand moderately and selectively again this year, with principal emphasis upon self-service units.

Sincerely,



President

Chicago, November 21, 1952.

WALGREEN CO. and SUBSIDIARY COMPANIES

COMPARATIVE BALANCE SHEET

	1952	1951
ASSETS		
CURRENT ASSETS:		
Cash	\$ 6,409,458	\$ 6,870,553
United States Government securities	2,797,545	45,700
Accounts receivable, less reserves	1,821,386	1,789,853
Inventories of merchandise, priced at the lower of cost or market, less reserves	21,886,110	24,530,457
TOTAL CURRENT ASSETS	32,914,499	33,236,563
PREPAID RENT, INSURANCE, TAXES, ETC.	1,041,063	1,100,517
INVESTMENTS IN AND ADVANCES TO AFFILIATED AND OTHER COMPANIES, at cost	1,979,789	1,904,189
FIXED ASSETS, at cost:		
Land	50,500	50,500
Buildings (on owned and leased land)	1,612,676	1,612,676
Equipment	17,573,305	17,105,393
	19,236,481	18,768,569
Less—Reserves for depreciation	8,397,798	8,262,029
TOTAL FIXED ASSETS	10,838,683	10,506,540
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount	1	1
	\$46,774,035	\$46,747,810

—SEPTEMBER 30, 1952 AND 1951

LIABILITIES

	<u>1952</u>	<u>1951</u>
CURRENT LIABILITIES:		
Trade accounts payable	\$ 5,743,028	\$ 5,420,116
Accrued expenses and other liabilities	4,561,973	4,201,521
Federal income taxes	3,819,068	4,743,483
Current maturity of 2½% note	500,000	500,000
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	14,624,069	14,865,120
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2½% NOTE, due August 15, 1960; amounts ranging from \$350,000 to \$500,000 due annually (current maturity included above)	3,650,000	4,150,000
	<hr/>	<hr/>

CAPITAL STOCK AND SURPLUS:

Common stock without par value—		
Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares	11,484,112	11,484,112
Earned surplus, per accompanying statement	17,015,854	16,248,578
	<hr/>	<hr/>
TOTAL CAPITAL STOCK AND SURPLUS	28,499,966	27,732,690
	<hr/>	<hr/>
	\$46,774,035	\$46,747,810
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WALGREEN CO. and SUBSIDIARY COMPANIES

COMPARATIVE STATEMENT OF PROFIT AND LOSS

For the Years Ended September 30, 1952 and 1951

	<u>1952</u>	<u>1951</u>
SALES AND OTHER INCOME:		
Net sales and other store income	\$177,909,215	\$170,539,418
Other income (net)	237,747	204,578
	<u>178,146,962</u>	<u>170,743,996</u>
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation	169,558,393	160,406,194
Depreciation of buildings and equipment	1,139,549	1,093,393
Provision for contribution to employees' retirement pension trust	889,000	970,000
Improvements to leased properties	451,647	523,397
	<u>172,038,589</u>	<u>162,992,984</u>
INCOME BEFORE FEDERAL AND STATE INCOME TAXES	6,108,373	7,751,012
Provision for Federal and State income taxes (including \$20,000 for excess profits tax in 1952 and \$370,000 in 1951)	2,950,000	4,090,000
NET INCOME	<u>\$ 3,158,373</u>	<u>\$ 3,661,012</u>

COMPARATIVE STATEMENT OF EARNED SURPLUS

For the Years Ended September 30, 1952 and 1951

BALANCE BEGINNING OF YEAR	\$ 16,248,578	\$ 14,978,663
NET INCOME	3,158,373	3,661,012
	<u>19,406,951</u>	<u>18,639,675</u>
DIVIDENDS PAID—\$1.85 per share	2,391,097	2,391,097
BALANCE END OF YEAR	<u>\$ 17,015,854</u>	<u>\$ 16,248,578</u>

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,
WALGREEN CO.:

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1952, and the related statements of consolidated profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended September 30, 1951.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of Walgreen Co. and subsidiary companies as of September 30, 1952, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & Co.

Chicago, Illinois,
November 14, 1952.

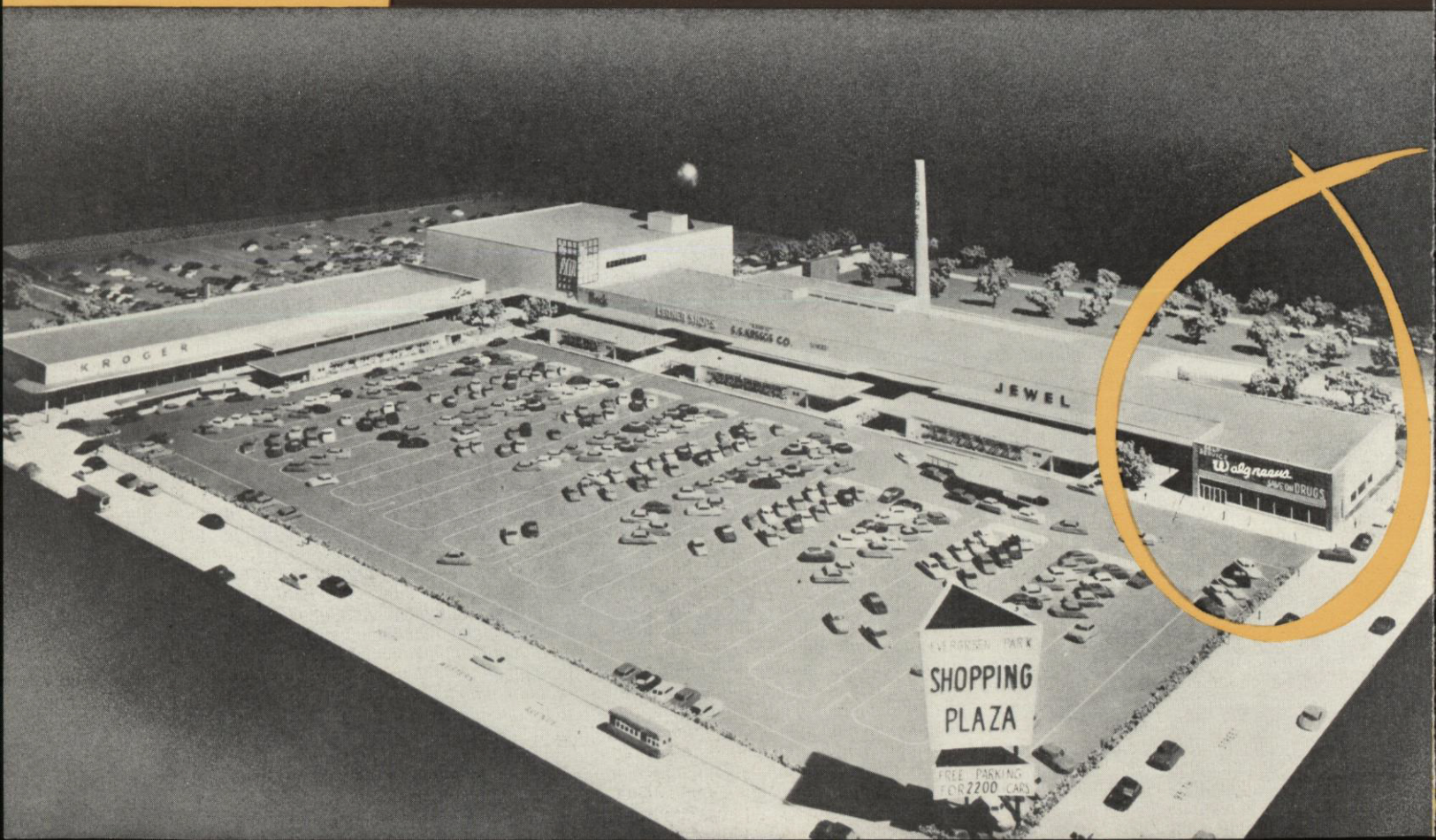
PROGRESS

REPORT

Accent on Self-Service

Growing consumer preference for self-selection of merchandise needs, long apparent in some retailing lines, is currently reflected in our opening additional self-service units during the last year. We believe these newly installed stores to be models of their type in the retail drug field—large, complete, impressive. Featuring outstanding shopping values in a wide range of items, each is merchandised to attract maximum consumer purchasing and engineered to handle heavy volume at minimum operating cost.

Shown here are views of some of the new Walgreen Self-Service Drug Stores that have been enthusiastically accepted in their communities.



Self-service promotes quick,
easy, convenient shopping.



Attractive mass display of
a wide variety of merchandise, roomy
aisles, encourage customers to buy, result
in high average sales. (Shown here:
Walgreen's in East Paterson, New Jersey.)

The trend to "one-stop" shopping is
evidenced by the increased popularity
of thriving outlying drive-in shopping
centers. Some of our most successful
self-service units are located in develop-
ments of this type. Shown here: Architect's
model of our newly opened Evergreen
Park Plaza store, 95th Street and Western
Avenue, on Chicago's southwest side.

Fragile, high value cosmetic items
are protected by glass, sold to
customers by cosmetic attendant.



PROGRESS

REPORT



Check-out counters control traffic flow, serve as dispensing stands for small size, high value merchandise

.... But Self-Service

There will always be a goodly number of prime drug store locations where it appears advisable to operate so called "conventional", rather than self-service stores. Factors such as the type of customer traffic and the kind of business we can expect in any given community, determine our decision. We look forward to continued operation of many conventional stores including such prominent locations as State and Madison and State and Randolph Streets in Chicago, the Bus Terminal Building in New York City, 2nd and Flagler in Miami, 900 Canal in New Orleans, and 822 Main in Houston.

A full block long and the largest drug store in the state of Texas, our new unit at 822 Main, Houston, for various reasons being operated only partially along self-service lines.

Interior view of Walgreen Self-Service Drug Store at 87th Street & Cottage Grove Avenue in Chicago. Merchandise arrangement of all 40 departments is efficient, compact, flexible to seasonal needs.

Modern Prescription Departments manned by expert Walgreen pharmacists are, as always, an important, integral part of all stores.



Will Not Be Universal



PROGRESS

REPORT

Prestige Products that Fea



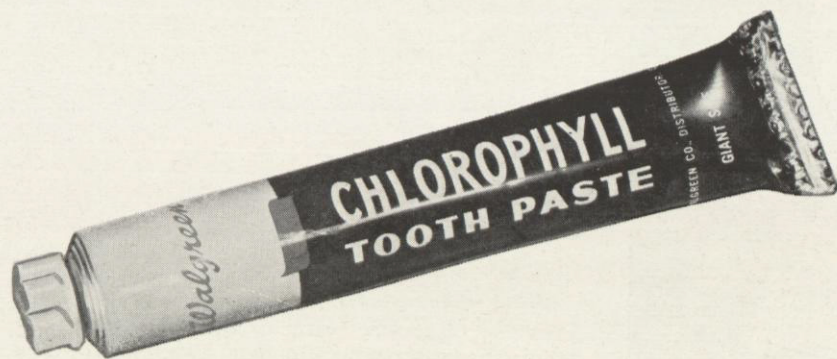
Ola-Beron 12 is the new high potency Vitamin B complex addition to the well established vitamin products line created by our Laboratory under the "Olafsen" name. Formulated for maximum effectiveness, yet priced to the public at very worth-while savings, Olafsen Vitamin products head the best seller list in our stores.



It is always advantageous to you—as a discriminating consumer as well as a stockholder—to select drug needs bearing the Walgreen name.

ture Purse and Package Appeal

Our laboratories make no attempt to manufacture a drug product for every consumer need. Rather, we devote our energies to producing those items that have a substantial potential, make them to highest quality standards, price them to give top value to the public, and promote their ready acceptance by means of consistent advertising and vigorous sales support. This process has obvious advantages. Customers are pleased with the merit and economy of Walgreen-made products. And because these items can be purchased only at Walgreen and Walgreen Agency Drug Stores, increased store traffic and profit result from their growing popularity.



This new product—Walgreen Chlorophyll Tooth Paste—typifies our policy of marketing premium quality merchandise, constantly abreast of latest scientific developments, priced to deliver outstanding value.

PROGRESS

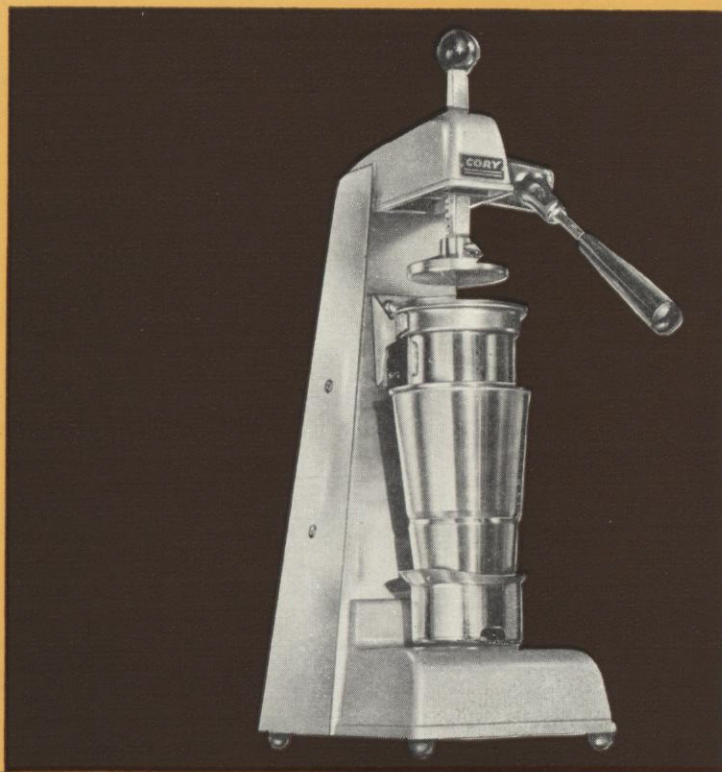
REPORT



A Fountain First in Frozen Sunshine

Biggest refreshment news of the year was made by our development of a completely new method of dispensing pure, full-flavored frozen orange juice at Walgreen fountains. Through use of this revolutionary process, fully tested during the summer, we are now able to serve our customers a large made-to-order glass of delicious, vitamin-rich Valencia orange juice at an unheard of low price.

The response has been instantaneous and gratifying. Customer reaction to this latest evidence of Walgreen leadership in fountain operation is excellent. Most of our stores are now equipped with the special mixing machine shown at right.



Push a lever, press a button and this special mixer produces a sparkling glass of perfect orange juice made to order in just six seconds.



Fresh-from-the-grove flavor is captured by instant freezing—the rich juice of three and one-half large ripe Valencia oranges concentrated and fully protected in a pliofilm bag. Our process preserves the flavor, completely protects against bacterial deterioration, ends messy, unsanitary handling of perishable fruit.

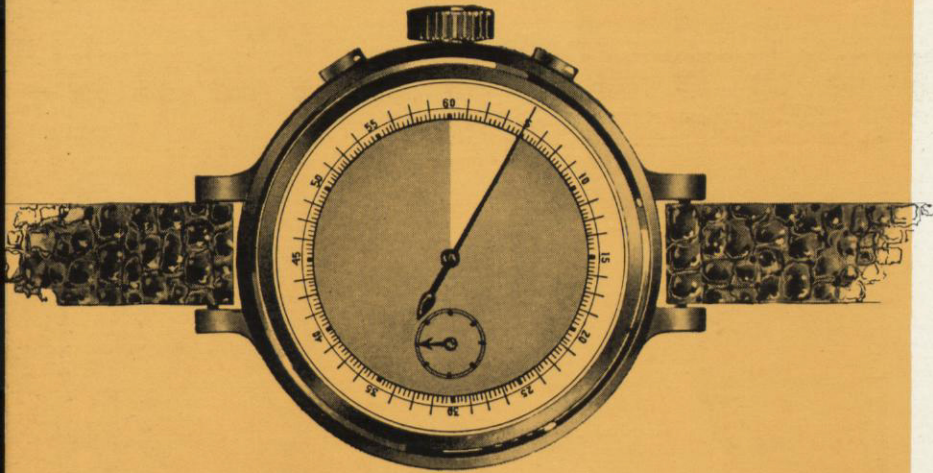


Walgreen customers get a big 10 ounce glass of pure, fresh-tasting delicious Valencia juice for only 15 cents. We should benefit from a controlled profit return through elimination of spoilage and seasonal upsurge of raw product costs.

PROGRESS

REPORT

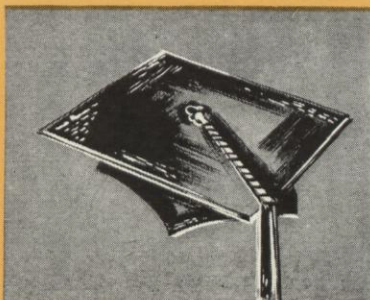
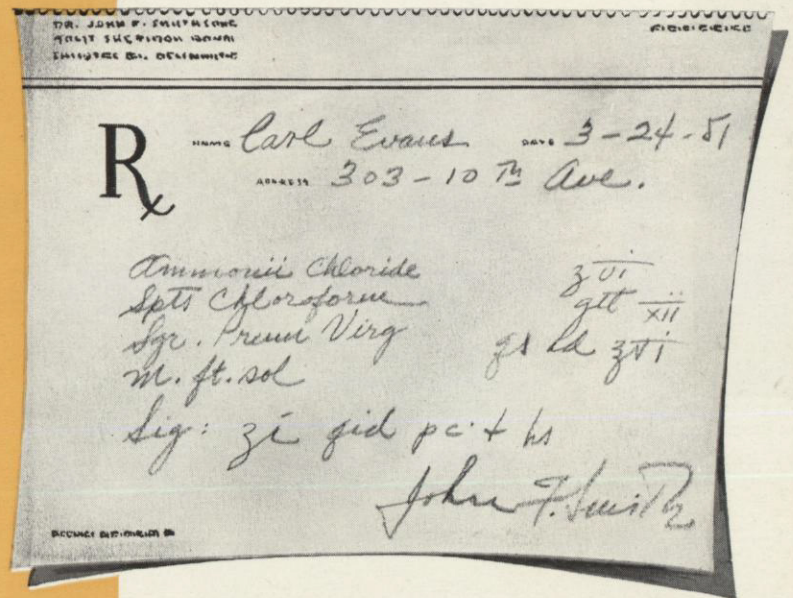
A Vote of Confidence



Every
Five
Seconds

Every five seconds, by actual statistics, a Walgreen Registered Pharmacist receives a prescription for compounding. The steadily increasing total again reached a new high during the last year.

This outstanding vote of public trust mirrors the confidence the Medical Profession places in our services. It is a tribute to our exacting standards of accuracy and dependability, scrupulously maintained over the years.



In spite of a nationwide shortage of Registered Pharmacists, our professional prestige is such that we have been able to attract a most gratifying number of the best qualified graduates from leading Colleges of Pharmacy.



**More People Trade at Walgreen's
Than at Any Other Drug Stores
in The World**

